

# **Northville Downtown Development Authority**

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**Financial Report  
with Supplemental Information  
June 30, 2008**

# **Northville Downtown Development Authority**

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## Independent Auditor's Report

To the Board of Directors  
Northville Downtown Development Authority

We have audited the accompanying financial statements of the General Fund and the governmental activities of Northville Downtown Development Authority (the "DDA"), a component unit of the City of Northville, as of and for the year ended June 30, 2008, which collectively comprise the DDA's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Northville Downtown Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and the governmental activities of Northville Downtown Development Authority as of June 30, 2008 and the changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors  
Northville Downtown Development Authority

The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northville Downtown Development Authority's basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 26, 2008

# **Northville Downtown Development Authority**

## **Management's Discussion and Analysis**

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The following discussion and analysis of the financial performance of Northville Downtown Development Authority (the "DDA") provides an overview of the DDA's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the DDA's financial statements.

### **Financial Highlights**

The following represents the most significant financial highlights for the year ended June 30, 2008:

- The design committee oversaw the construction cost of a new Town Square project. The grand opening took place in October 2007. Other than a few remaining amenities, this project is complete.
- One of the priorities of the business mix committee was to research and compile a business incentive list. These efforts led to the development of a business assistance program (BAP) which was initiated during the fiscal year. The goal of the BAP is to achieve quality design and encourage economic investment within downtown Northville. There are two grant opportunities within the BAP: (1) to provide technical assistance and (2) to assist with physical improvements. Grants totaling \$43,000 were awarded to various businesses during the year. As of June 30, 2008, \$18,603 of fund balance has been designated for the amounts yet to be paid out.
- Utilizing outside consultants, the DDA marketing committee implemented a marketing plan that included print, radio, and television media coverage.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the DDA as a whole and present a longer-term view of the DDA's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the DDA's operations in more detail than the government-wide financial statements.

# Northville Downtown Development Authority

## Management's Discussion and Analysis (Continued)

### The DDA as a Whole

The following table shows, in a condensed format, the current year's net assets compared to the two prior years:

#### Summary Condensed Statement of Net Assets

	2006	2007	2008	Changes from Prior Year	
				in Dollars	Percent
<b>Assets - Current assets</b>	\$ 1,024,544	\$ 1,211,454	\$ 505,717	\$ (705,737)	(58)
<b>Liabilities</b>					
Current	59,791	81,819	223,176	141,357	173
Long-term	-	-	270,000	270,000	100
Total liabilities	59,791	81,819	493,176	411,357	502
<b>Net Assets - Unrestricted</b>	<u><b>\$ 964,753</b></u>	<u><b>\$ 1,129,635</b></u>	<u><b>\$ 12,541</b></u>	<u><b>\$ (1,117,094)</b></u>	(99)

The above decrease in unrestricted net assets is primarily due to a decrease in cash that was used to fund the completion of the Town Square project.

The increase in current liabilities reflects retainage payable to contractors for construction of the Town Square project. In addition, the DDA recorded an increase in the reserve for property tax appeals.

The increase in the long-term liabilities reflects a loan from the City of Northville General Fund for \$300,000 for the completion of Town Square. This loan is scheduled to be repaid over a 10-year period.

# Northville Downtown Development Authority

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year in comparison with the two prior years:

### Summary Condensed Statement of Activities

	2006	2007	2008	Changes from Prior Year	
				in Dollars	Percent
<b>Revenue</b>					
Captured taxes (Note 5)	\$ 905,644	\$ 995,371	\$ 1,040,275	\$ 44,904	5
Operating levy	51,270	55,370	62,647	7,277	13
Contributions	-	-	319,200	319,200	100
Other income	78,634	77,357	45,417	(31,940)	(41)
Total revenue	1,035,548	1,128,098	1,467,539	339,441	30
<b>Expenditures</b>					
Community and economic development	272,208	-	-	-	-
Public works	627,802	-	-	-	-
Recreation and culture	5,824	-	-	-	-
Business mix committee	-	36,043	56,159	20,116	56
Design committee	-	436,476	1,867,115	1,430,639	328
Marketing committee	-	95,530	206,777	111,247	116
Parking committee	-	144,410	87,429	(56,981)	(39)
Organizational committee	-	50,757	54,641	3,884	8
Debt service	310,000	200,000	312,512	112,512	56
Total expenditures	1,215,834	963,216	2,584,633	1,621,417	168
<b>Excess of Revenues Over (Under)</b>					
Expenditures	<u>\$ (180,286)</u>	<u>\$ 164,882</u>	<u>\$ (1,117,094)</u>	<u>\$ (1,281,976)</u>	778

The increase in captured taxes is primarily due to (1) in increase in taxable value in the commercial district and (2) additions to the tax roll for renovated and/or newly constructed property.

The decrease in other income for interest earnings was expected due to lowering interest rates combined with a lower cash balance after the completion of Town Square.

The increase in expenditures in the business mix, design, and marketing committees is discussed in the financial highlights section of this report.

The decrease in expenditures for the parking committee was due to the completion of a parking lot improvement in the prior year. The increase in expenditures for debt service is due to the maturing of existing debt.

### The DDA's Fund

The DDA maintains one fund, the General Fund. The fund provides detailed information about the DDA as a whole. The use of this fund helps to manage money for specific purposes as well as to show accountability for certain activities.

# **Northville Downtown Development Authority**

## **Management's Discussion and Analysis (Continued)**

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### **General Fund Budgetary Highlights**

The General Fund accounts for all programming, maintenance, construction, and administrative functions of the DDA within the DDA boundaries. The budget is monitored closely and amended quarterly. The new committee structure that is reflected in the budget will serve to further communicate how DDA resources are allocated.

### **Capital Asset and Debt Administration**

The DDA contributes financial support to the City of Northville for some of the construction and maintenance of assets within the DDA's boundaries. Most of those costs are recorded in the financial statements under the category of design committee expense. The DDA does not have any capital assets of its own.

The DDA has a pledge to repay the principal and interest of the City of Northville's 1993 general obligation bonds. These bonds were issued for a parking expansion program. One year remains on that obligation. Once those bonds are paid, the DDA will no longer be able to capture revenue from school-related taxes based upon Proposal A's enacting legislation.

### **Economic Factors and Next Year's Budgets and Rates**

The five committee structure has worked well for the DDA. The initiatives identified in the strategic plan, adopted in 2006, continue to be the focus of the efforts of the DDA in the future. The contents of that plan outline many of the initiatives and physical improvements for the next few years.

Although property values have continued to grow in the DDA, the DDA is preparing for a slowdown in the economy that may affect property values in the future. In addition, the DDA will experience a reduction in captured property tax revenue as described above. The DDA will continue to be challenged to balance a reduction in resources with operational commitments and needed infrastructure improvements.

### **Contacting the DDA's Management**

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the DDA's finances and to show the DDA's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Northville Downtown Development Authority's office at 215 West Main Street, Northville, Michigan 48167, or via the DDA's website at [www.downtownnorthville.org](http://www.downtownnorthville.org).



# Northville Downtown Development Authority

## Statement of Net Assets/Governmental Fund Balance Sheet June 30, 2008

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<b>Assets</b>			
Cash and investments (Note 4)	\$ 498,241	\$ -	\$ 498,241
Due from other governmental units	3,126	-	3,126
Other assets	<u>4,350</u>	<u>-</u>	<u>4,350</u>
Total assets	505,717	-	505,717
<b>Liabilities</b>			
Accounts payable	63,508	-	63,508
Accrued and other liabilities	118,087	11,581	129,668
Long-term debt (Note 8):			
Portion due within one year	-	30,000	30,000
Portion due after one year	<u>-</u>	<u>270,000</u>	<u>270,000</u>
Total liabilities	<u>181,595</u>	<u>311,581</u>	<u>493,176</u>
<b>Net Assets - Fund balances</b>			
Unreserved:			
Designated - Grants awarded	18,603	(18,603)	-
Designated - Parking structure maintenance	30,000	(30,000)	-
Undesignated	<u>275,519</u>	<u>(275,519)</u>	<u>-</u>
Total fund balance	<u><b>\$ 324,122</b></u>	<u>(324,122)</u>	<u>-</u>
Unrestricted		<u>12,541</u>	<u>12,541</u>
Total net assets		<u><b>\$ 12,541</b></u>	<u><b>\$ 12,541</b></u>

# Northville Downtown Development Authority

## Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2008

	General Fund	Adjustments (Note 3)	Statement of Activities
<b>Revenue</b>			
Captured taxes (Note 5)	\$ 1,040,275	\$ -	\$ 1,040,275
Operating levy	62,647	-	62,647
Contributions	319,200	-	319,200
Other income	45,417	-	45,417
Total revenue	1,467,539	-	1,467,539
<b>Expenditures</b>			
Business mix committee	57,318	(1,159)	56,159
Design committee	1,868,647	(1,532)	1,867,115
Marketing committee	208,226	(1,449)	206,777
Parking committee	88,255	(826)	87,429
Organizational committee	55,500	(859)	54,641
Debt service - Pass-through commitment	302,887	9,625	312,512
Total expenditures	2,580,833	3,800	2,584,633
<b>Excess of Expenditures Over Revenue</b>	(1,113,294)	(3,800)	(1,117,094)
<b>Other Financing Sources -</b>			
Financing proceeds	300,000	(300,000)	-
<b>Net Change in Fund Balance</b>	(813,294)	(303,800)	(1,117,094)
<b>Net Assets - Beginning of year</b>	1,137,416	(7,781)	1,129,635
<b>Net Assets - End of year</b>	<u>\$ 324,122</u>	<u>\$ (311,581)</u>	<u>\$ 12,541</u>

# **Northville Downtown Development Authority**

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## **Notes to Financial Statements June 30, 2008**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Northville Downtown Development Authority (the "DDA") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Northville Downtown Development Authority.

#### **Reporting Entity**

Northville Downtown Development Authority was formed under Act 197 of the Public Acts of 1975 to develop downtown Northville. A revised development plan was adopted in 1993 that provided the financing plan for the City of Northville's (the "City") general obligation bonds, totaling \$3,800,000. These bonds were issued in May 1994 to finance the construction of parking facilities in downtown Northville. These bonds bear an interest rate of 5.6 percent with the final payment due in fiscal year 2009. In the DDA's financing plan, the DDA has pledged captured taxes to pay the debt service payment on these bonds.

The DDA plan was again amended in 2003. This amendment provided for additional infrastructure improvements, to allow for maximum bonded indebtedness, and to extend the life of the plan until the end of 2028.

The accompanying financial statements pertain to the financial activities of the DDA. These activities have also been presented within the financial statements of the City of Northville, Michigan as a component unit.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements report information on all of the activities of the DDA. Governmental activities are normally supported by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

# **Northville Downtown Development Authority**

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## **Notes to Financial Statements June 30, 2008**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the DDA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the DDA.

The General Fund is the DDA's only operating fund. It accounts for all financial resources of the general government.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated using a weighted average of balance for the principal.

**Capital Assets** - Capital assets are defined by the DDA as assets with an initial individual cost of more than \$1,500 and an expected useful life of more than one year. The DDA has no assets that meet this criterion.

# Northville Downtown Development Authority

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## Notes to Financial Statements June 30, 2008

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)** - It is the DDA's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and accumulate compensatory leave time. After 10 years of service, employees may receive payment of the accumulated sick leave balance at the rate of 50 percent upon retirement or 25 percent for other types of termination. A liability is accrued when incurred in the government-wide financial statements.

**Fund Equity** - In the fund financial statements, designations of fund balance represent management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the director and then reviewed by the DDA. After the budget is approved by the DDA, it is then presented to the City of Northville for approval prior to the start of the fiscal year. The budget is reviewed by the DDA and the City on a quarterly basis and amended as necessary.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing bodies is the department level. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The comparison of actual results of operations to the General Fund budget is presented for analytical purposes only.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The DDA was under budget for the design committee. This was due to a postponement in the completion of certain amenities for the Town Square Project.

# **Northville Downtown Development Authority**

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## **Notes to Financial Statements June 30, 2008**

### **Note 3 - Reconciliation of Government-wide and Fund Financial Statements**

Total fund balances and the net change in fund balances of the DDA's governmental funds differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the financial resources measurement focus of the governmental fund balance sheet.

The reconciliation of fund balance to net assets relates to compensated absences and long-term debt that are included as a liability for the statement of net assets. The reconciliation of the net change in fund balance to net change in net assets relates to the increase in the accrual for long-term compensated absences as well as long-term debt payments which are reported as expenses in the statement of activities, but are not reported as expenses in the governmental fund.

### **Note 4 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States, repurchase agreements, bankers' acceptances of United States banks, commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions, which are rated as investment grade, mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, and investment pools organized under the surplus funds investment pool acts of the State of Michigan. The investment policy adopted is in accordance with Public Act 196 of 1997 and has authorized investment in all vehicles covered by the state statute listed above.

Cash and investments are subject to several types of risk. At year end, the carrying amount of the DDA's cash and investments is held by the City cash and investments pool. For the purpose of risk disclosure, it is not practical to allocate risk to each entity in the investment fund. The disclosures below are related to the overall risk for the cash and investments totals that are presented in the City's financial statements. The DDA's cash and investments, however, represent 4 percent of the total portfolio managed by the City.

# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2008

### Note 4 - Deposits and Investments (Continued)

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The policy for custodial credit risk limits bank options to those approved by the DDA. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the investment policy. Overall, the City had \$878,236 of bank deposits (checking and savings accounts in addition to certificates of deposit) that were uninsured and uncollateralized. The DDA believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, each financial institution where funds are deposited is evaluated to assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of June 30, 2008, six banks are utilized for the deposit of the DDA's funds.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The policy followed is consistent with state law. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Percentage of Total Portfolio	Rating	Rating Organization
Bank investment pools	12%	A+	S&P
Federal Home Loan Mortgage Corporation	1%	AAA	S&P/Moody's
Federal National Mortgage Association	4%	AAA	S&P/Moody's
Federal Home Loan Bank	41%	AAA	S&P/Moody's
Commercial paper	23%	AI +, AI, and PI	S&P/Moody's

# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2008

### Note 4 - Deposits and Investments (Continued)

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Percentage of Total Portfolio	Weighted Average Maturity
Federal Home Loan Mortgage Corporation	1%	7 days
Federal National Mortgage Association	4%	29 days
Federal Home Loan Bank	41%	417 days
Commercial paper	23%	57 days

**Concentration of Credit Risk** - It is the policy of the DDA to diversify the investment portfolio with a goal of 5 percent maximum exposure to any one credit risk at time of purchase. This requirement does not apply to investments issued by the U.S. government or its agencies, investments in mutual funds, and external investment pools and other pooled investments. The concentration of credit risk is shown below:

Investment	Percent
Federal Home Loan Bank	41

### Note 5 - Captured Taxes

Captured taxes represent the property taxes on the increment in taxable value of the downtown development district property since the adoption of the development plan. These taxes are earmarked for debt retirement purposes and other purposes consistent with the development plan.



# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2008

### Note 6 - Designated Fund Balance

Fund balance is designated to show management's intentions or commitments of financial resources not otherwise accrued. As of June 30, 2008, the following amounts are designated for the following purposes.

Purpose	Amount
Parking structure repairs	\$ 30,000
Business assistance program grants awarded but not yet payable	18,603

### Note 7 - Commitments

Under its pledge to the City, the DDA transfers amounts annually to pay the principal and interest on the City of Northville's general obligation bonds. The annual requirements to service these bonds as of June 30, 2008, including both principal and interest, are shown below:

Principal Matures	Principal	Interest	Total
2009	\$ 390,000	\$ 10,920	\$ 400,920

### Note 8 - Long-term Debt

The outstanding debt of the DDA consists of the following amounts borrowed from the City of Northville's General Fund:

Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
City of Northville General Fund						
5.5%	2018	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ 30,000

# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2008

### Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above debt obligation are as follows:

<u>Principal Matures</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 30,000	\$ 12,375	\$ 42,375
2010	30,000	14,850	44,850
2011	30,000	13,200	43,200
2012	30,000	11,550	41,550
2013	30,000	9,900	39,900
2014-2018	<u>150,000</u>	<u>24,850</u>	<u>174,850</u>
Total	<u>\$ 300,000</u>	<u>\$ 86,725</u>	<u>\$ 386,725</u>

### Note 9 - Pension Plan and Other Postemployment Benefits

The City of Northville sponsors a pension plan on behalf of the DDA. The employer of record for the DDA is the City of Northville. Accordingly, the employee of the DDA participates in the City's employee benefit programs and policies and is pooled with City employees for benefits administration subject to those benefits outlined in an employment contract with the DDA director. The City charges the DDA for its pro rata share of employee fringe benefit costs in the same manner as City departments are charged for fringe benefits. The DDA contributes a pro rata share of the amortization of unfunded actuarial liability for the defined benefit pension plan and postretirement benefit plan. There are no retirees of the DDA. A description of the pension plan and related overall funding levels may be obtained from the City of Northville's financial statements. Those statements may be obtained by contacting the City of Northville, 215 West Main Street, Northville, Michigan 48167.

The DDA reimbursed the City \$36,555 for fringe benefit expenditures during the year ended June 30, 2008.

# **Northville Downtown Development Authority**

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## **Notes to Financial Statements June 30, 2008**

### **Note 9 - Pension Plan and Other Postemployment Benefits (Continued)**

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

## **Required Supplemental Information**

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# Northville Downtown Development Authority

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 1,137,416	\$ 1,137,416	\$ 1,137,416	\$ -
<b>Revenue</b>				
Captured taxes	1,269,764	1,040,452	1,040,275	(177)
Operating levy	61,756	62,647	62,647	-
Financing proceeds	-	300,000	300,000	-
Transfers - Primary government	-	263,100	319,200	56,100
Other income	32,300	46,466	45,417	(1,049)
Total revenue	1,363,820	1,712,665	1,767,539	54,874
<b>Expenditures</b>				
Business mix committee	75,116	81,970	57,318	24,652
Design committee	1,132,677	2,079,865	1,868,647	211,218
Marketing committee	126,600	208,940	208,226	714
Parking committee	105,677	92,177	88,255	3,922
Organizational committee	58,593	57,089	55,500	1,589
Debt service - Pass-through commitment	380,387	302,887	302,887	-
Total expenditures	1,879,050	2,822,928	2,580,833	242,095
<b>Fund Balance - End of year</b>	<b>\$ 622,186</b>	<b>\$ 27,153</b>	<b>\$ 324,122</b>	<b>\$ 296,969</b>



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September 26, 2008

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Downtown Development Authority  
215 West Main Street  
Northville, MI 48167

We have audited the financial statements of Northville Downtown Development Authority for the year ended June 30, 2008 and have issued our report thereon dated September 26, 2008. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated August 22, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Northville Downtown Development Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

#### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

## **Significant Audit Findings**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Northville Downtown Development Authority are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimated liability for property tax appeals.

Management's estimate of the liability for property tax appeals was based upon the taxable value in dispute and adopted millage rates. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

### **Disagreements with Management**

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management's Representations**

We have requested certain representations from management that are included in the management representation letter dated September 26, 2008.

### **Management's Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

In the normal course of our professional association with the organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the organization's auditors.

This information is intended solely for the use of members of the board and management of the Northville Downtown Development Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**



Christopher S. Jones



Kristin L. Hunt